

**McDONNELL DOUGLAS REALTY COMPANY**  
**COMMENCEMENT OF LAND USE**  
**ENTITLEMENT WORK FOR TORRANCE FACILITY**  
**OCTOBER 24, 1995**

(1) **SUMMARY:**

This information is submitted to obtain approval for the expenditure of \$250,000 on the first phase of entitlements necessary for the redevelopment of the McDonnell Douglas - Torrance facility, a project anticipated to yield approximately \$18,000,000 in net income to McDonnell Douglas Realty Company ("MDRC") between 1997 and 2003, after allowance for \$18,000,000 of remediation costs.

(2) **BACKGROUND:**

Manufacturing operations on the 169 acre Torrance site ceased in 1991. Since then, the approximately 2,000,000 square feet of buildings have been used by Douglas Aircraft Company ("DAC") for warehousing, although the efficiency of this operation has been limited by the building configurations. Approximately 70 acres is currently unused, representing open air storage and surplus parking, but redevelopment and sale of these portions, let alone the whole site, is not possible without City land use approvals. Although the zoning permits most likely uses, a Tentative Map would be required, which would trigger an EIR.

In 1994, Lockheed Martin, which owns a 67 acre site directly contiguous and to the west of the facility, commenced planning a sale of their site to developers. Although MDRC suggested that Lockheed Martin participate in a comprehensive master plan for the combined 235 acre site, Lockheed Martin rejected any such approach, and have just filed an application to build 800,000 square feet of retail space on their site. They are concurrently soliciting interest from developers and expect to have a buyer selected and under contract by late December 1995, with a closing anticipated in early 1997.

(3) **PROPOSED DEVELOPMENT PLAN:**

A preliminary development plan, undertaken by PBR of Irvine, is attached. The mix of uses is as follows:

<u>Use:</u>	<u>Ac.</u>	<u>Dev. Sq. Ft. '000</u>
Power Center	40	453
R & D/Corp. Ofc.:	23.2	505
McD. D. Warehouse:	40.1	960
Industrial/R & D:	53.4	1,279
Park Amenity:	0	0
Local Service/Hotel:	0	0
TOTALS:	<u>156.7</u>	<u>3.197</u>

The development plan reflects current and projected future market conditions, creating a low density campus business park environment, which will complement Toyota's adjacent campus. The site is the largest developable property in southern Los Angeles, and represents an unique opportunity, expected to attract strong support from the City, to meet a developing shortage of high quality finished land comparable to that obtainable in Orange County business parks like Irvine Spectrum. Numerous studies have cited this developing shortage as creating a constraint on Los Angeles's future growth, and a spur to increasing land values.

(4) **POTENTIAL BUYER/USER INTEREST:**

- (a) **Douglas Aircraft Company:** DAC wants to relocate from its existing inefficient space to new purpose-built warehousing. This requirement would utilize at least 40 acres.
- (b) **Iwerks Entertainment:** This user is anxious to relocate office and manufacturing space from Burbank to a 6 acre site, and in particular to locate their unique 35,000 sq. ft. integrated virtual reality entertainment facility in a major retail center. This facility would be a major draw to any retail power center developed on the site.
- (c) **Retail Developers:** The location, configuration and size of this 40 acre retail site is believed to be much superior to the Lockheed Martin site, and will quickly attract developer interest.

(5) **ENTITLEMENT COSTS:**

A summary of the total entitlement costs by phase follows:

<b><u>ITEM</u></b>	<b><u>PHASE I</u></b>	<b><u>PHASE II</u></b>	<b><u>TOTAL</u></b>
City Fees:	\$ 60,949	\$ 67,322	\$ 128,271
Land Planner/ Architect:	\$ 15,000	\$ 60,000	\$ 75,000
Civil Engineer:	\$ 40,000	\$ 70,000	\$ 110,000
Soils Engineer:	\$ 20,000	-	\$ 20,000
EIR Consultant:	-	\$250,000	\$ 250,000
Traffic Engineer:	\$ 40,000	\$ 60,000	\$ 100,000
Legal:	\$ 15,000	\$135,000	\$ 150,000
Economic Analysis:	-	\$ 25,000	\$ 25,000
Miscellaneous:	\$ 5,000	\$ 15,000	\$ 20,000
Development Coordination:	\$ 45,000	\$205,000	\$ 250,000
<b>TOTAL:</b>	<b><u>\$240,949</u></b>	<b><u>\$887,322</u></b>	<b><u>\$1,128,271</u></b>
Contingency:	\$ 9,051	\$150,603	\$ 159,654
<b>TOTAL:</b>	<b><u>\$250,000</u></b>	<b><u>\$1,037,925</u></b>	<b><u>\$1,287,925</u></b>

Phase II expenditures would be an item to be separately approved, and would depend on the level of buyer interest.

(6) **ENTITLEMENT SCHEDULE:**

A schedule is attached; recordation of a Tract Map is anticipated in mid 1997.

(7) **ENTITLEMENT EXPENDITURE JUSTIFICATION:**

The justifications for incurring these expenditure at this time are as follows:

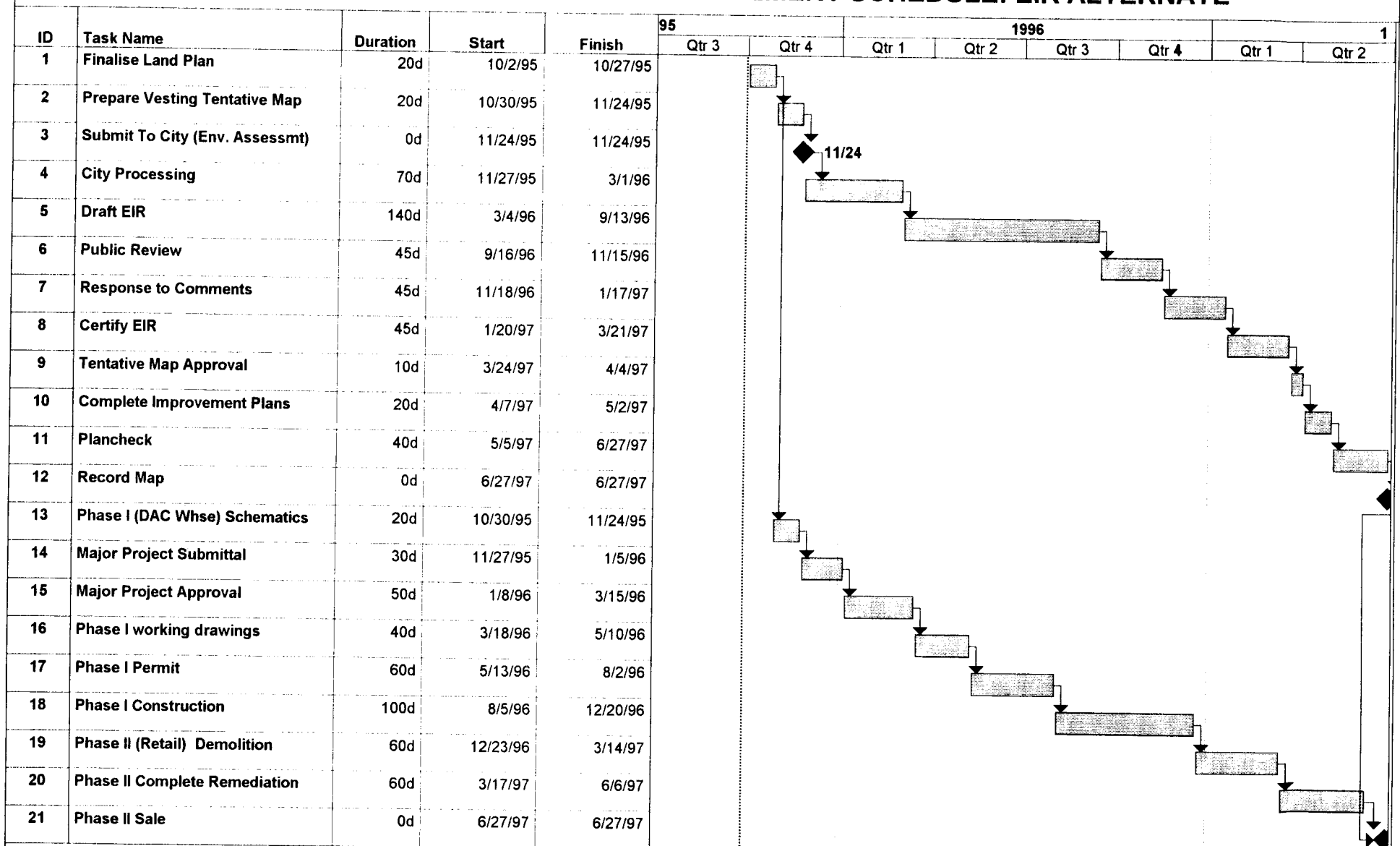
- (a) The entitlement work is a prerequisite of any development or disposition of the property.
- (b) With traffic mitigation a key consideration, and traffic capacity allocated on a first-come/first-served basis, unless McDonnell Douglas immediately makes application, the Lockheed Martin project will utilize any remaining traffic capacity particularly on 190th Street and the I-405 Freeway ramps, causing great increases in project costs. To protect this capacity, MDRC needs to show the City its intent to develop by filing an application.
- (c) With a better located, configured and sized site, MDRC will capitalize on retail user/developer interest generated by Lockheed Martin's marketing.
- (d) A competitive application to Lockheed Martin is necessary to prevent the adverse impacts of their development, which apart from traffic and marketing include intrusive design and layout, and blockage of the subject site from high quality development to the west. Such an application is anticipated to cause Lockheed Martin to reconsider their opposition to a master plan.
- (e) Supportive pro-development strategies currently being pursued at the State and City levels will assist in expediting and potentially financially assisting the entitlement and development process, and providing a focus for State oversight efforts on the remediation, with potential cost benefits to this phase of the work.

(8) **PRELIMINARY FINANCIAL FEASIBILITY OF ULTIMATE DEVELOPMENT:**

A preliminary analysis of overall development revenues and expenses, including an allowance of \$18,000,000 for remediation expenses, follows. 1995 values have been used, an assumption which is expected to be quite conservative due to rapidly declining land inventories.

Land:	\$20,980,674
Development Costs:	\$41,969,925
Interest:	\$ <u>3,165,650</u>
Total:	\$66,116,249
Net Sales Proceeds:	\$84,041,531
Profit:	<u>\$17,925,283</u>
IRR to MDRC (assuming \$10,000,000 equity):	36%
Maximum A & D Loan Balance:	\$15,030,674

# MCDONNELL DOUGLAS LAND USE ENTITLEMENT SCHEDULE: EIR ALTERNATE



Project: \_\_\_\_\_

Date: 9/29/95

Task

Progress

Milestone

Summary

Rolled Up Task

Rolled Up Milestone

Rolled Up Progress

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